

MOTOR VEHICLE SALES FINANCE ACT (EXCERPT)
Act 27 of 1950 (Ex. Sess.)

492.116 Installment sale contract; insurance of vehicle, limitation, coercion prohibited; premium cost, buyer's certificate, terms of contract, cancellation.

Sec. 16. (a) The buyer of a motor vehicle under an installment sale contract may be required to provide insurance on such motor vehicle at the buyer's expense for the protection of the seller or subsequent holder. Such insurance shall be limited to insurance against substantial risk of damage, destruction or theft of such motor vehicle: Provided, however, That the foregoing shall not interfere with the liberty of contract of the buyer and seller to contract for travel emergency benefits pertaining to the operation of the automobile or other or additional insurance as security for or by reason of the obligation of the buyer, and inclusion of the cost of such insurance premium and said travel emergency benefits in the principal amount advanced under the installment sale contract. Such insurance shall, if possible to obtain, be written for the dual protection of the buyer and of the seller, or subsequent holder, to the extent of his interest in the motor vehicle. Such insurance shall be for an amount, and period of time, and upon terms and conditions, which are reasonable and appropriate considering the type and condition of the motor vehicle, the amount of the time balance and the schedule of payments in the installment sale contract. In the event such insurance cannot be obtained for the dual protection of the buyer and the seller, or subsequent holder, or if obtained, is cancelled by the insurance company prior to expiration, the seller, or subsequent holder, may obtain insurance to protect his interest in the motor vehicle and the buyer may be required to pay the cost thereof. In such event, the seller, or subsequent holder, shall promptly notify the buyer that such insurance cannot be obtained, or is cancelled, and credit to the buyer the difference between the amount charged by the seller for such dual protection insurance and the cost to the seller of such single interest insurance (less, in the event of cancellation, the earned premium on the dual interest insurance for the period it is in force): Provided, That whenever such insurance is written for the protection of the seller, or subsequent holder, only, neither the insurance company issuing the policy nor any other person shall be subrogated to the rights of the insured as against the buyer.

(b) The buyer of a motor vehicle under an installment sale contract shall have the privilege of purchasing such insurance from any insurance company, agent or broker authorized to do business in Michigan other than the installment seller. No installment seller shall coerce, threaten, or in any manner influence any installment buyer to purchase insurance from any insurance company, agent or broker designated by such seller: Provided, however, That the inclusion of the cost of the insurance premium in the installment sale contract, when the buyer selects the company, agent or broker, shall be optional with the seller.

(c) Whenever the seller contracts to purchase, at the buyer's expense, such insurance on a motor vehicle sold under an installment sale contract, such insurance shall be purchased through an agent and/or broker or other person, authorized to conduct business in Michigan, and such insurance shall be written by an insurance company qualified to do business in Michigan. The status of the buyer and seller or holder, as set forth in such insurance contract, shall conform to the status of these parties in the installment sale contract. The cost of the premium on such insurance to the buyer shall not be in excess of the amount of the premium which others are required to pay to such insurance company for similar coverage, and in no event in excess of rates established in the then current published applicable manual of a recognized standard insurance rating bureau, or the rates fixed by authority of the state of Michigan.

(d) Whenever the seller contracts to purchase, at the buyer's expense, such insurance on a motor vehicle sold under an installment sale contract, a certificate of insurance and a statement showing itemized cost of such insurance shall be delivered to the buyer within 25 days of the date of the buyer's signing of the installment sale contract.

(e) The insurance policy or certificate of insurance on the motor vehicle which is furnished to the buyer, when the insurance is placed by the seller or subsequent holder at the buyer's expense, shall set forth complete information as to the effective dates, amounts of premiums and coverage, and shall contain all the terms of the insurance contract.

(f) When the seller or subsequent holder has placed, at the expense of the buyer, insurance on a motor vehicle sold under an installment sale contract and the buyer prepays the time balance under the contract prior to the expiration date of the insurance, such insurance shall remain in force unless the buyer requests cancellation thereof. The seller or holder shall not cancel the insurance under such circumstances without the buyer's consent, nor shall the seller or holder coerce the buyer to cancel the insurance. Unexpired insurance premiums received by the seller or holder, resulting from cancellation of insurance which was originally placed at the buyer's expense, shall be used in procuring comparable insurance as in subsection (g) of this section provided, and if such insurance cannot be obtained, shall be paid to the buyer or credited to any matured unpaid installments under the contract.

(g) When the seller contracts to purchase insurance at the buyer's expense and such insurance is cancelled by the insurance company prior to expiration, the seller or subsequent holder shall attempt to place comparable insurance with another insurance company and furnish or cause to be furnished to the buyer a copy of the insurance policy or certificate of insurance, subject to the same requirements of this act applicable to the original policy. In the event the holder is unable to obtain such insurance in another insurance company, he shall promptly notify the buyer by registered mail, addressed to the buyer at the address appearing upon the installment sale contract, unless the seller is in receipt of written notice of a change in the buyer's address, and in such event addressed to the buyer at such changed address. The buyer may then obtain such insurance from an insurance company, agent or broker of his own selection. The holder shall also be liable to the buyer for any loss suffered by the buyer through negligence on the part of the holder in promptly mailing notice to the buyer of his inability to obtain replacement insurance.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951.